

## Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 CIAE-00 CEA-01 FRB-03

NSC-04 NSCE-00 INR-01 /021 W

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R 110828Z APR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6858

TREASURY DEPT WASHDC

C O N F I D E N T I A L TOKYO 5189

LIMDISGREENBACK

C O R R E C T E D C O P Y (EO TO READ: XGDS 5B1)

EO 11652: XGDS 5B1

TAGS: EFIN, JA

SUBJECT: WITTEVEEN VISIT TO TOKYO

REF: TOKYO 5093

1. SUMMARY: IN ADDITION TO POINTS REFLECTED IN PRESS REPORTS OF WITTEVEEN TALKS HERE (REFTEL), GOVT OF JAPAN TOLD WITTEVEEN PRIVATELY THAT IT WOULD FIND IT VERY DIFFICULT -- AND PERHAPS UNACCEPTABLE -- TO HAVE EXPANSION OF IMF (ALONG LINES OF WITTEVEEN PROPOSALS) PRESENTED AS ALTERNATIVE TO OECD FINANCIAL SUPPORT FUND. END SUMMARY.

2. MOF SOURCE (UTSUMI, DIRECTOR, INTL ORGANIZATIONS DIV, INTL FINANCE BUREAU) CONFIRMS TO EMBASSY ACCURACY OF THRUST OF PRESS COVERAGE WITTEVEEN VISIT REPORTED REFTEL. HE TELLS US THAT WITTEVEEN WAS ALSO TOLD PRIVATELY THAT IF EXPANSION OF IMF ALONG LINES WITTEVEEN PROPOSALS IS PRESENTED AS ALTERNATIVE TO OECD FINANCIAL SUPPORT FUND, THIS WOULD BE VERY DIFFICULT FOR JAPANESE GOVT, AND COULD LEAD THEM TO REVIEW THEIR POSITION ON THE WITTEVEEN PROPOSALS.

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3. SPECIFICALLY, UTSUMI SAYS PRIME MINISTER FUKUDA MADE THREE PRINCIPAL POINTS TO WITTEVEEN:

(1) IN THE CONTEXT OF SEVENTH GENERAL REVIEW OF IMF QUOTAS, JAPAN MUST HAVE INCREASE IN ITS (RELATIVE) QUOTA SHARE.

(2) HE (FUKUDA) HAD BEEN BRIEFED ON WITTEVEEN PROPOSALS. HE WAS CONCERNED ABOUT PROBLEMS OF DEBT ACCUMULATION OF LDC'S; AND HE BELIEVED THAT THERE SHOULD BE A CAREFUL STUDY OF POSSIBLE MEASURES TO DEAL WITH THESE PROBLEMS. IN THIS CONTEXT, HE WAS PREPARED TO HAVE HIS ADMINISTRATION TAKE PART IN A STUDY OF THE WITTEVEEN PROPOSALS.

(3) IT WOULD BE VERY EMBARRASSING TO THE GOVT OF JAPAN IF IMF EXPANSION WERE TO BE SEEN AS SPELLING THE DEMISE OF THE OECD FINANCIAL SUPPORT FUND; RATHER THE TWO SCHEMES MUST CO-EXIST. IF THEY COULD NOT, JAPAN MIGHT HAVE TO REVIEW ITS POSITION ON THE WITTEVEEN PROPOSALS.

4. COMMENT: UTSUMI WAS OBVIOUSLY CONCERNED THAT WITTEVEEN MIGHT HAVE COME AWAY FROM HIS MEETINGS HERE WITH IMPRESSION THAT JAPANESE HAD AGREED TO ANYTHING MORE THAN TO STUDY WITTEVEEN PROPOSALS -- WITH RESERVATIONS. REGARDING FUKUDA'S THIRD POINT, UTSUMI ALSO SEEMED TO TAKE CARE TO STATE PRECISELY THAT JAPANESE SIDE WAS SAYING THAT THEIR PROBLEM WAS WITH PRESENTING IMF EXPANSION AS ALTERNATIVE TO OECD FINANCIAL SUPPORT FUND; HE DID NOT REPEAT NOT SAY THAT THEIR PROBLEM WAS THAT IMF EXPANSION COULD ULTIMATELY MEAN SUPPORT FUND WOULD NOT BE IMPLEMENTED. IT IS WORTH UNDERSCORING IN THIS CONNECTION THAT PRESS REPORTS EMBASSY HAS SEEN SAY NOTHING ABOUT IMF EXPANSION/SUPPORT FUND LINK, WHICH SUGGESTS JAPANESE ARE EXERTING CARE TO AVOID GETTING THEIR BACKS AGAINST THE WALL IN EVENT -- WHICH CERTAINLY WOULD NOT SURPRISE THEM -- THAT SUPPORT FUND IS NOT IMPLEMENTED. JAPANESE FOLLOWED OUR LEAD IN GOING FOR THE FINANCIAL SUPPORT  
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FUND; AND IT IS HARD TO BELIEVE THAT THEY WOULD NOT IN FINAL ANALYSIS GO ALONG WITH IMF EXPANSION IF THAT IS THE ROUTE WE CHOOSE. BUT THEY VERY DEFINITELY ARE NOT GOING TO BE HAPPY IF THE HEADLINES ONE DAY READ THAT "U.S. OPTS FOR IMF EXPANSION; ABANDONS OECD FINANCIAL SUPPORT FUND." ONE MESSAGE THAT MIGHT BE READ OUT OF ALL THIS IS THAT THE JAPANESE GOVT WOULD HAVE PROBLEMS IN GOING TO DIET FOR IMF EXPANSION APPROVAL, AND THEY HOPE VERY MUCH THAT WE WILL BE ABLE TO PRESENT ANY SHIFTS IN POLICY IN A WAY THAT DOES NOT UNNECESSARILY EXACERBATE THEIR POLITICAL PROBLEMS.  
SHOESMITH

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## Message Attributes

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